

## Message Text

UNCLASSIFIED

PAGE 01 LONDON 00600 131646Z  
ACTION EUR-12

INFO OCT-01 EA-09 NEA-10 IO-13 ISO-00 SP-02 USIA-15 AID-05  
EB-07 NSC-05 CIEP-02 SS-15 STR-04 OMB-01 CEA-01  
CIAE-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04  
SIL-01 H-02 PA-02 PRS-01 L-03 /133 W  
-----131729Z 031785 /43

R 131638Z JAN 77  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC 9436  
TREASURY DEPT WASHDC  
INFO AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
AMEMBASSY DUBLIN  
AMEMBASSY NEW DELHI  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY TOKYO  
AMCONSUL BELFAST  
AMCONSUL EDINBURGH  
USMISSION EC BRUSSELS  
USMISSION OECD PARIS  
USDEL MTN GENEVA  
USDOC WASHDC

UNCLAS LONDON 00600

DEPARTMENT PASS FEDERAL RESERVE BOARD

TREASURY FOR DONALD E. SYVRUD, OASIA

E.O. 11652: N/A  
TAGS: EFIN, UK  
SUBJECT: BANK OF ENGLAND ACTS TO EASE MONEY MARKET  
PRESSURES

1. THE BANK OF ENGLAND ACTED THIS MORNING TO EASE THE  
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PRESSURES BUILDING UP IN THE MONEY MARKET, ANNOUNCING  
THAT THE RATE OF CALL FOR SPECIAL DEPOSITS WOULD BE RE-  
DUCED FROM 6 PERCENT TO 3 PERCENT OF BANKS' ELIGIBLE  
LIABILITIES.

2. APPROXIMATELY 760 MILLION POUNDS IN SPECIAL DEPOSITS,  
CORRESPONDING TO 2 PERCENT OF ELIGIBLE LIABILITIES, HAVE

ALREADY BEEN PAID IN TO THE BANK OF ENGLAND  
RETURNED TO THE BANKS ON JANUARY 17. AN ADDITIONAL 1  
PERCENT, OR 360 MILLION POUNDS WAS DUE TO BE PAID ON  
JANUARY 28, BUT SUCH A PAYMENT WILL NO LONGER BE RE-  
QUIRED.

3. THE BANK OF ENGLAND CITES, AS IT DID IN TWICE POSTPON-  
ING A CALL FOR SPECIAL DEPOSITS IN THE FINAL QUARTER OF  
1976, TECHNICAL REASONS AS GROUNDS FOR THE REDUCED RATE  
OF CALL, RATHER THAN A BASIC CHANGE IN MONETARY POLICY.  
THE SEASONAL INCREASE IN TAX REVENUES AND THE RECENT  
SURGE IN GILT SALES WERE SAID TO HAVE CONTRIBUTED TO  
"MONEY MARKET CONDITIONS AND PRESSURE ON THE MONETARY  
SYSTEM OF EXCEPTIONAL STRINGENCY BEYOND THE REQUIREMENTS  
OF PRESENT STRICT MONETARY POLICY."

4. THE BANK ADDED THAT IT IS EXPECTED THAT THE PRESSURE  
ON RESERVE ASSETS MAY EASE AFTER THE REVENUE SEASON. IF  
SO, IT MAY BECOME APPROPRIATE TO INCREASE THE RATE OF  
CALL FOR SPECIAL DEPOSITS. THE PERIOD THROUGH FEBRUARY  
SHOULD SEE CONSIDERABLE FLUX IN MONEY MARKETS ACCORDING  
TO MARKET OBSERVERS.

ARMSTRONG

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, FINANCIAL PROGRAMS, BANK DEPOSITS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 13-Jan-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01-Jan-1960 12:00:00 am  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977LONDON00600  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
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**Litigation History:**  
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**Office:** ACTION EUR  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
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**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
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**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 3608014  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** BANK OF ENGLAND ACTS TO EAST MONEY MARKET PRESSURES  
**TAGS:** EFIN, UK, BANK OF ENGLAND  
**To:** STATE TRSY  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
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